

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7859

BILL NUMBER: HB 1779

DATE PREPARED: Jan 20, 1999

BILL AMENDED:

SUBJECT: Township fire department levies.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues			
State Expenditures		637,000	1,300,000
Net Increase (Decrease)		(637,000)	(1,300,000)

LOCAL IMPACT	CY 1999	CY 2000	CY 2001
Local Revenues		5,400,000	5,700,000
Local Expenditures			
Net Increase (Decrease)		5,400,000	5,700,000

Summary of Legislation: This bill provides for a one time recomputation of township firefighting levies for CY 2000.

Effective Date: July 1, 1999.

Explanation of State Expenditures: If township fire fund maximum levies are increased and the townships take advantage of the increase, then the state's expense for property tax replacement credit (PTRC) would also increase. Based on the increase in maximum levies explained below in local revenues, the state would be liable for additional PTRC in the estimated amount of \$1.08 million in CY 2000 and \$1.13 million in CY 2001. PTRC is paid from the Property Tax Replacement Fund which is supplemented by the state General Fund.

Since property tax bills would be increased by this bill, the amount needed to fund the state homestead credit would also be increased. It is estimated that the homestead credit cost an additional \$195,000 in CY 2000 and \$204,000 in CY 2001.

The total increase in expenditures for the state under this bill is estimated at **\$637,000 in FY 2000, \$1.3 million in FY 2001, \$1.3 million in FY 2002, and \$1.28 million in FY 2003.**

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, a township would receive an increase in its CY 2000 Fire Fund maximum levy if the township had to borrow money to pay for fire protection or emergency medical services (EMS) in CY 1997, CY 1998, or CY 1999. The amount of the increase would be equal to the total amount of loans in those years divided by the number of years that loans were obtained.

In CY 1997, thirteen townships borrowed a total of \$4.2 million for fire and EMS expenses. In CY 1998, seven townships borrowed a total of \$4.5 million. Only four townships borrowed money in both years. The statewide total of the average loans per township over the two years is equal to \$5.4 million. If in CY 1999 the only townships that borrow money have borrowed in CY 1997 or CY 1998 then the increase in maximum levies would total about \$5.4 million. If additional townships borrow in CY 1999, then the total increase could rise. The new maximum levy would be the townships base for future years.

An increase in the township's levy could also cause an increase in the township's share of county adjusted gross income tax (CAGIT), county option income tax (COIT), excise tax, and financial institutions tax (FIT) revenues. These taxes are distributed to local units based on a unit's share of the total of all levies in the county. An increase in these revenues for the township would come at the expense of other units in the county.

The actual fiscal impact depends on local action in CY 1999.

State Agencies Affected: State Tax Board.

Local Agencies Affected: Townships.

Information Sources: Melissa Henson, Jim Cornwell (232-3773), State Board of Tax Commissioners.